

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **July 9, 2019**

**Charles & Colvard, Ltd.**

(Exact name of registrant as specified in its charter)

**North Carolina**  
(State or other jurisdiction of  
incorporation)

**000-23329**  
(Commission File  
Number)

**56-1928817**  
(I.R.S. Employer  
Identification No.)

**170 Southport Drive**  
**Morrisville, North Carolina**  
(Address of principal executive offices)

**27560**  
(Zip Code)

**(919) 468-0399**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value per share	CTHR	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

*Adoption of Fiscal 2020 Senior Management Equity Incentive Program*

On July 9, 2019, the Compensation Committee approved the Charles & Colvard, Ltd. Fiscal 2020 Senior Management Equity Incentive Program (the “New Program”), with effect as of July 1, 2019. The New Program supersedes and replaces all prior management incentive plans or programs.

The New Program provides an incentive opportunity for the Company’s executive officers and vice presidents, other than the Senior Vice President of Sales (the “Eligible Employees”), through the grant of an award, with both performance and service measures (the “Award”), consisting of (i) a restricted stock award representing 65% of the Award’s value (the “Restricted Stock Component”) and (ii) a cash bonus award representing 35% of the Award’s value (the “Cash Component”) subject to achievement of performance goals. The value of Awards is expressed in “Share Equivalents,” which is the number of shares of the Company’s restricted stock that would be granted pursuant to each Award if the Restricted Stock Component equaled 100% of the Award.

Achievement of an Eligible Employee’s performance measures will be measured by the Compensation Committee as follows: (i) 65% of each Award will be based on the achievement of a shared Company goal regarding revenue (the “Revenue Measure”), (ii) 25% of each Award will be based on the achievement of a shared Company goal regarding EBITDA (together with the Revenue Measure, the “Company Measures”) and (iii) 10% of each Award will be based on the achievement of individual performance goals (the “Personal Measures”), all for the period from July 1, 2019 to June 30, 2020 (the “Performance Measurement Period”). If the Company does not achieve 80% of the Revenue Measure, the Restricted Stock Component of each Award will be forfeited and the Cash Component of each Award will not be paid. The Company must achieve at least 90% of the Revenue Measure in order for the portion of the Award attributed to the Company Measures to be vested/paid, as applicable. Achievement on a sliding scale from 90% to 120% of the Revenue Measure will result in payment ranging from 75% and 140% of the portion of the Award attributed to the Revenue Measure. Eligible Employees may achieve from 0% to 100% of his or her Personal Measures. The Restricted Stock Component and Cash Component of each Award will be reduced proportionately by any performance that is measured below 100% accordingly. The Personal Measures and Company Measures are determined by the Compensation Committee and may be modified by the Compensation Committee during, and after the end of, the Performance Measurement Period, subject to the terms of the Company’s 2018 Equity Incentive Plan (the “2018 Plan”). In addition, an Eligible Employee must remain in continuous service until July 31, 2020 for restrictions to fully lapse on the Restricted Stock Component and for the Cash Component to be paid.

Under the New Program, the Compensation Committee has granted the Chief Executive Officer 200,000 Share Equivalents, the Chief Financial Officer and Chief Operating Officer 100,000 Share Equivalents, and each eligible Vice President 50,000 Share Equivalents. The New Program also provides the Compensation Committee discretion to make additional Awards above the targeted award level in recognition of extraordinary performance. The Restricted Stock Component of all Awards granted pursuant to the New Program is issued under and pursuant to the 2018 Plan and subject to the terms of the Company’s standard performance-based restricted stock award agreement.

The foregoing description of the New Program does not purport to be complete and is qualified in its entirety by reference to the New Program, a copy of which is filed as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference.

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Document</u>
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<u>10.1</u>	<u><a href="#">Charles &amp; Colvard, Ltd. Fiscal 2020 Senior Management Equity Incentive Program, effective July 1, 2019</a></u>
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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Charles & Colvard, Ltd.**

July 11, 2019

By: /s/ Clint J. Pete  
Clint J. Pete  
Chief Financial Officer

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**CHARLES & COLVARD, LTD.**  
**FISCAL 2020 SENIOR MANAGEMENT EQUITY INCENTIVE PROGRAM**

**Adopted July 9, 2019**

The Charles & Colvard, Ltd. Fiscal 2020 Senior Management Equity Incentive Program (the “Program”) is a compensatory program established pursuant to the Charles & Colvard, Ltd. 2018 Equity Incentive Plan (the “2018 Plan”) for the 2020 fiscal year (i.e., July 1, 2019 through June 30, 2020). The Compensation Committee (the “Committee”) of the Board of Directors of Charles & Colvard, Ltd. (the “Company”) is charged with administering the Program. The Program covers performance-based restricted stock awards and cash bonus awards for Company personnel at the level of Vice-President and above, other than the Senior Vice President of Sales (the “Eligible Employees”).

The Program supersedes and replaces all prior management incentive plans or programs for all periods commencing on or after July 1, 2019.

**Purpose and Objective**

The Program is intended to further strengthen the Company’s pay for performance philosophy and more closely align the Eligible Employees’ interests with those of the Company and its shareholders by granting Eligible Employees significant equity and cash compensation awards that are tied to both Company and individual performance. The Program provides for a mixture of both performance-based and time-based vesting of equity compensation awards to permit the Committee to tie vesting to the attainment of specific performance measures under the 2018 Plan while also encouraging the longer-term retention of Eligible Employees.

**Description of Awards**

Each award (an “Award”) granted under this Program shall consist of (1) a restricted stock award representing 65% of the Award’s value (the “Restricted Stock Component”), to be granted to Eligible Employees upon approval of this Program, and (2) a cash bonus award representing 35% of the Award’s value (the “Cash Component”), to be paid to Eligible Employees on the payroll date following the Vesting Date (as defined below) subject to achievement of performance goals.

The value of Awards shall be expressed in “Share Equivalents,” which is the number of shares of the Company’s restricted stock that would be granted pursuant to each Award if the Restricted Stock Component equaled 100% of the Award. For example, if an Award is expressed as 100 Share Equivalents and all performance goals are achieved at the 100% level (as more fully described below), the Restricted Stock Component would equal 65 Share Equivalents and the Cash Component would equal 35 Share Equivalents. The value of the Share Equivalents shall be set on the grant date of the Restricted Stock Component of the Awards.

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## Achievement of Awards

Awards granted under this Program have both performance and service measures. Achievement of an Eligible Employee's performance measures shall be measured by the Committee as follows: (1) 65% of each Award shall be based on the achievement of a shared Company goal regarding revenue (the "Revenue Measure"); (2) 25% of each Award shall be based on the achievement of a shared Company goal regarding EBITDA (the "EBITDA Measure" and together with the Revenue Measure, the "Company Measures"); and (3) 10% of each Award shall be based on the achievement of individual performance goals (the "Personal Measures"), all for the period from July 1, 2019 through June 30, 2020 (the "Performance Measurement Period"). If the Company does not achieve 80% of the Revenue Measure, the Restricted Stock Component of each Award shall be forfeited and the Cash Component of each Award shall not be paid. The Company must achieve at least 90% of the Revenue Measure in order for the portion of the Award attributed to the Company Measures to be vested/paid, as applicable. Achievement on a sliding scale from 90% to 120% of the Revenue Measure shall result in payment ranging from 75% to 140% of the portion of the Award attributed to the Revenue Measure. Eligible Employees may achieve from 0% to 100% of his or her Personal Measures. The Restricted Stock Component and Cash Component of each Award shall be reduced proportionately by any performance that is measured below 100% accordingly. The Personal Measures and Company Measures are determined by the Committee and may be modified by the Committee during, and after the end of, the Performance Measurement Period, subject to the terms of the 2018 Plan. In addition, an Eligible Employee must remain in continuous service until July 31, 2020 (the "Vesting Date") for restrictions to fully lapse on the Restricted Stock Component and for the Cash Component to be paid.

Under this Program, the Eligible Employees shall be eligible to receive the following Awards:

<b>Position</b>	<b>Maximum Share Equivalents</b>
Chief Executive Officer	200,000
Chief Financial Officer and Chief Operating Officer	100,000
Eligible Vice President(s)	50,000

The Program provides the Committee discretion to make additional Awards above the targeted award level in recognition of extraordinary performance.

### **Committee Discretion in Granting Awards and Administering the Program for Future Employees**

Any person who commences employment with the Company after July 1, 2019 may be designated an Eligible Employee for purposes of the Program at the discretion of the Committee and receive an Award with a pro-rated number of Share Equivalents.

### **Source of Equity Compensation Awards; Coordination with 2018 Plan**

The Restricted Stock Component of all Awards granted pursuant to the Program shall be issued under and pursuant to the 2018 Plan. All terms, conditions, and requirements of the 2018 Plan are expressly incorporated into the Program by reference. The Restricted Stock Component of all Awards granted pursuant to the Program shall be evidenced by an appropriate Award Agreement in the form approved by the Committee for use under the 2018 Plan, and the Restricted Stock Component of each Award hereunder shall be subject to the terms and conditions set forth in the applicable Award Agreement and the 2018 Plan. To the extent there is any conflict or ambiguity between the terms of this Program and the 2018 Plan or between this Program and any applicable Award Agreement, the terms of the 2018 Plan or the applicable Award Agreement shall control.

### **Amendment and Termination of the Program**

The Program may be amended or terminated at any time by the Committee or the Company's Board of Directors. The Committee shall have unilateral authority to amend the Program and any Award granted pursuant to the Program (without the recipient's consent) to the extent necessary to comply with applicable laws, rules, or regulations or changes to applicable laws, rules, or regulations (including but not limited to Section 409A of the Internal Revenue Code of 1986, as amended, federal securities laws, or related regulations or other guidance).

### **Withholding; Tax Matters**

In accordance with the terms of the 2018 Plan and applicable Award Agreements thereunder, the Company shall withhold, or shall require the recipient to pay the Company in cash, the amount of any local, state, federal, foreign, or other tax or other amount required by any governmental authority to be withheld and paid over by the Company to such authority for the account of the recipient. The Company makes no warranties or representations with respect to the tax consequences (including but not limited to income tax consequences) related to the transactions contemplated by this Program and the 2018 Plan. A recipient should consult with his/her own attorney, accountant, and/or tax advisor regarding the decision to accept equity compensation awards under the Program and the consequences thereof. The Company has no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for any recipient.